Most dynamic, explosive force in the world today is the expansive thrust of knowledge, scientific discoveries and unprecedented population increases . . . accelerations whose powerful thrust can hardly be described by words, yet sometimes can be communicated through the sensitivity of creative art and photography. . . . Such is the cover photo by Erich Hartmann, from the tiny nucleus of a concept to an exploding universe of power and change that affects the lives of all mankind . . . Such is the world we serve.

LETTER TO STOCKHOLDERS:

This first Annual Report of Marcor is being sent to approximately 88,000 stockholders, many of whom have been long-time share owners of Montgomery Ward or Container Corporation of America. We are pleased to report to these stockholders that the results, shown in the highlights on the facing page, justify their votes of confidence in the merger of their companies into the new corporate growth structure of Marcor. . . . For the full year, earnings increased 43.7% to $53.8 million on sales of $2.5 billion. The major factor in the increase of Marcor earnings was the improvement in Montgomery Ward operating earnings which rose 97% to $34 million. . . . Sales of both Montgomery Ward and Container Corporation set record highs. . . . Detailed reports of operating results of Marcor, Montgomery Ward and Container Corporation are presented in separate sections of this report. Each company has a distinguished record of achievement. . . . One of our initial moves to strengthen the autonomous management of each company was the election of Henry G. Van der Eb as president of Container Corporation and the election of James Lutz to the new Montgomery Ward position of executive vice president—merchandising. . . . We have a strong conviction that both the Container and Montgomery Ward managements have the opportunity and ability to expand their sales and profits at an accelerated pace under the present corporate structure. We further believe that the greatest benefits to our stockholders can result from taking full advantage of the opportunities in the businesses where we have experience rather than diluting our efforts through diversifications, unless such diversification presents an unusual growth opportunity. . . . Higher sales are producing an encouraging trend over first-quarter results last year. . . . With demand for our products and services continuing strong, we expect that a further significant profit improvement is attainable.

Leo H. Schoenhofen | Robert E. Brooker

April 7, 1969 | Leo H. Schoenhofen, President | Robert E. Brooker, Chairman

HIGHLIGHTS	1968	1967
Net Sales	$2,500,705,000	$2,352,293,000
Net Earnings	53,810,000	37,443,000
Earnings per Common Share	3.18	1.85
Stockholders' Equity	817,615,000	791,675,000
Investment per Common Share	41.23	39.42
(Note: Earnings per common share assuming conversion of Series A convertible preferred stock and exercise of stock options.)	2.71	1.90

1968 ANNUAL REPORT

MARCOR

Montgomery Ward
Container Corporation of America

CONTENTS

MARCOR DIRECTORS AND OFFICERS (left to right)

LEO H. SCHOENHOFEN
President and Director
Chairman and Chief Executive Officer, Container Corporation

ROBERT E. BROOKER
Chairman, Chief Executive Officer and Director
Chairman and Chief Executive Officer, Montgomery Ward

GORDON R. WORLEY
Financial Vice President and Director
Vice President—Finance, Montgomery Ward

EDWARD GUDEMAN
Director
Limited Partner, Lehman Brothers, New York, New York

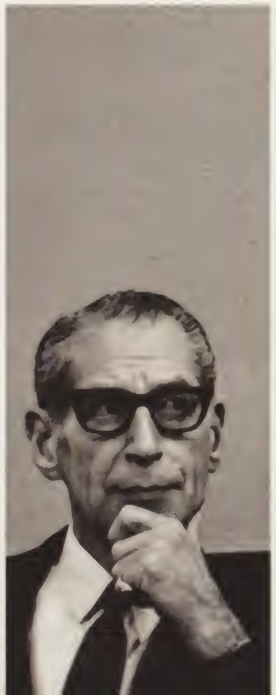
FREDERICK S. CRYSLER
Director
Executive Vice President, Container Corporation

CARL M. BLUMENSCHEIN
Vice President-Controller
Senior Vice President—Finance, Container Corporation

ROBERT S. INGERSOLL
Director
Chairman and Chief Executive Officer, Borg-Warner Corporation, Chicago, Illinois

DONALD M. GRAHAM
Director
Chairman of the Board, Continental Illinois National Bank & Trust Company of Chicago

WILLIAM P. DRAKE
Director
President and Chief Executive Officer, Pennsalt Chemicals Corporation, Philadelphia, Pennsylvania

EDWARD S. DONNELL
Director
President, Montgomery Ward

HENRY G. VAN DER EB
Director
President, Container Corporation

JAMES LUTZ
Director
Executive Vice President—Merchandising, Montgomery Ward

THOMAS F. CASS
Director
Executive Vice President, Container Corporation

JAMES J. NANCE
Director
Chairman, Executive Committee, Montgomery Ward

GAYLORD A. FREEMAN JR.
Director
Chairman of the Board, The First National Bank of Chicago

RICHARD S. KELLY
Secretary and Assistant General Counsel
Assistant General Counsel, Container Corporation

DANIEL WALKER
Vice President and General Counsel
Vice President and General Counsel, Montgomery Ward

HARRY E. GREEN
Vice President—Overseas
Senior Vice President and General Counsel, Container Corporation






NEWSPAPERS

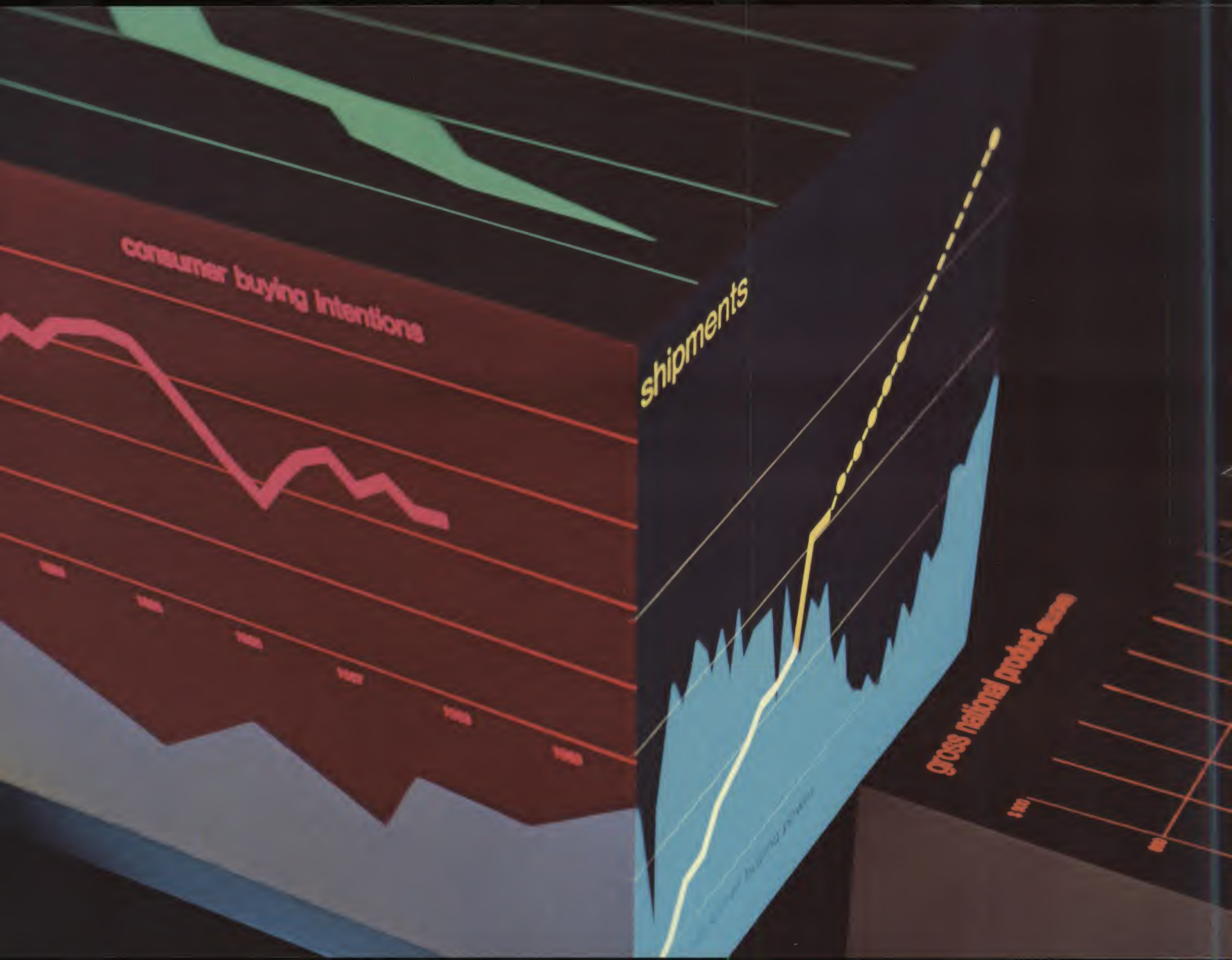
MARCOR—LEADER IN MARKETING SERVICES

Marcor is one of the largest new corporations to come on the scene of American business. It is new in name, organization and concept. Marcor is a marketing system serving the distribution needs of modern business.... It is a multi-billion dollar company that was created by the vote of more than 90,000 stockholders on October 31, 1968 to combine the assets and managements of two of the nation's most respected consumer-oriented marketing companies, Montgomery Ward and Container Corporation of America. The name Marcor was adopted because it is primarily a Marketing Corporation.... Both subsidiaries are leaders in offering marketing services to consumers, in the movement of products from manufacturers to the ultimate consumer, and in development and use of materials handling systems. Marcor's organization is that of an action nucleus of executives experienced in the management of marketing and distribution systems.... Responsibility for the profitable expansion of the major subsidiaries is being delegated to new teams of executives to build greater depth of executive administration and experience.... These moves will free Marcor executives to search out and develop new strategies and tactics to further the profitable expansion of Marcor's interest in marketing, manufacturing, financial and service opportunities, all vital in meeting the needs of consumers during the next decade.... Although Marcor is a company without a history it shares the distinguished business traditions of its two principal subsidiaries.... Montgomery Ward, founded in 1872 on the guiding principle of "Customer Satisfaction Guaranteed or Your Money Back," today is one of the nation's greatest national merchandisers, serving one of every five American families through retail and catalog stores and agencies in 2,000 communities.... Container Corporation of America, founded in 1926, has pioneered the integration of design into functional packaging and has earned preeminent leadership in its highly competitive industry as a truly consumer-oriented marketing organization sensitive to the needs of its customers.... Marcor, with 121,000 employees, combines the resources and


proshop

achievements of two companies that are industry leaders in their own right. Marcor is one of the largest general merchandise retailers and the largest manufacturer of paperboard packaging in the nation.... As of January 31, 1969, Marcor owned, operated, or controlled the following:... through Montgomery Ward, 468 retail department stores, 804 catalog sales agencies, 695 catalog stores, 10 catalog houses; 25 plants engaged in production of concrete pipe, pre-stressed concrete construction materials, and other concrete products; six plants engaged in the manufacture of paint, one in production of camp trailers and tool stands; one that produces television sets and stereo and portable phonographs; a life insurance company with insurance in force of $789 million; an Illinois-based trust and savings bank—the eleventh largest in the state; a credit subsidiary with assets of $834 million; two real estate subsidiaries holding property with an aggregate depreciated value of approximately $100 million.... Through Container Corporation of America, domestic operations including 29 plants manufacturing shipping containers, 14 producing paperboard cartons, 10 producing fibre cans, six manufacturing plastic packaging, and 14 paperboard mills. Four Research and Development Centers are engaged in product research; 15 Design and Market Research Centers work on new and effective packages for consumer markets. The company also owns, or participates in the management of 850,000 acres of timberland as a resource for pulpwood for its paperboard mills. Overseas, Container operates 43 paperboard and packaging plants in Holland, Italy, Mexico, Colombia and Venezuela.

Merchandising and packaging are the consumer-oriented services of Marcor's subsidiaries. Montgomery Ward fashion apparel, sporting goods and 120,000 other products are offered in almost 2,000 communities and through 55 million catalogs. Container Corporation, a completely integrated packaging company, creates and produces millions of packages to help ship, identify and merchandise billions of dollars of consumer and industrial products.


consumer buying intentions
shipments
gross national product

MARCOR—FINANCIAL REVIEW

Stockholders of Container Corporation of America and Montgomery Ward approved the merging of their companies as wholly-owned but autonomous subsidiaries of Marcor Inc. on October 31, 1968. For accounting purposes, financial results are presented as a partial pooling on the following basis:... Since all Montgomery Ward common shares were exchanged for shares of Marcor, all of Ward's earnings are pooled into Marcor. Because 59% of Container's shares were exchanged for convertible preferred shares of Marcor, 59% of Container's earnings prior to the merger are pooled by Marcor.... The remaining 41% of Container's shares were purchased through the issuance of Marcor 6½% subordinated debentures. Accordingly, 41% of Container's earnings prior to the date of the merger were not available to Marcor.... All financial and statistical information for operations of the two companies prior to November 1, 1968 is combined in the reporting of Marcor results, including the 59% of Container's earnings prior to November 1, 1968.

Sales and Earnings—Net sales of Marcor for the fiscal year of February 1, 1968 through January 31, 1969 were $2,500,705,000, an increase of 6.3% over 1967 sales of $2,352,293,000. Earnings on a partial pooling basis of $53,810,000 were equivalent to $3.18 per share of common stock after provision for preferred dividends, as compared with $37,443,000, or $1.85 per share, in fiscal 1967.... Earnings per share, assuming full conversion of Series A convertible preferred shares and pro forma exercise of outstanding stock options, were $2.71 for fiscal 1968 compared with $1.90 for fiscal 1967. Had the merger occurred at the beginning of the 1968 fiscal year, Marcor would report pro forma earnings of $3.54 per share, compared with $2.31 per share on the same accounting basis for fiscal 1967.... On a fully-diluted basis, pro forma earnings in fiscal 1968 were $2.95 and $2.20 in fiscal 1967.

Financing and Interest Costs—In connection with the merger, Marcor issued $269 million of 6½% subordinated installment debentures due 1988 for 41% of the outstanding


Container common shares and all of the outstanding Class A stock of Montgomery Ward. Marcor subsidiaries obtained $132 million of new capital through major long-term financing in 1968. Montgomery Ward Credit Corporation issued $60 million of 7⅜% debentures due in 1988. Container Corporation issued $30 million of 6⅝% sinking fund debentures due in 1993. In addition, $42 million of 25-year industrial revenue bonds were issued as a part of the financing of a major Container mill expansion. . . . Receivables of Montgomery Ward increased $139 million, from $849 million at the end of fiscal 1967 to $988 million at 1968 fiscal year-end. Customer receivables are largely financed by a wholly-owned subsidiary, Montgomery Ward Credit Corporation. At year-end, it had a total of $435 million of short-term obligations outstanding, principally commercial paper, and had confirmed lines of bank credit of $542 million. The availability of this bank credit is deemed more than adequate to finance anticipated accounts receivable growth during 1969. Total interest costs of Marcor and its consolidated subsidiaries were $58.7 million in 1968, compared with $45 million in 1967.

Capital Expenditures—Marcor capital expenditures were $100 million for the year, compared with $96 million in 1967. During 1968, retained earnings of $29 million, depreciation and amortization of $47 million, deferred taxes arising from accelerated depreciation of $2 million and additional deferred income taxes arising from uncollected customers' installment receivables of $33 million, provided a total cash flow of $111 million, exceeding 1968 requirements for capital outlays. These same sources, together with $33 million in funds held by trustees for construction in process, are expected to provide adequate funds for capital expenditures of approximately $140 million planned for 1969.

Taxes and Deferrals—Income taxes for 1968 were $58.5 million compared with $38.2 million in 1967. The tax surcharge increased 1968 taxes by $5.6 million, or 44 cents per common share. The effective tax rate for 1968 was 47.6% and for 1967 was 42.6%. Consolidated earnings are reported after full provision for all income taxes and reflect investment tax credits of $2.9 million in 1968 and $2 million in 1967. Federal tax laws

More than $60 million being invested in expansion of Container Corporation's paperboard mill at Fernandina Beach, Florida will double capacity. Approximately $11 million in equipment will minimize air and water pollution. The 250-foot tower will be a continuous digester to process wood fibres for paperboard. The redwood structure (right) will cool and circulate water for paperboard processing.

permit the Company to defer from taxable income its gross profit on uncollected customers' installment balances, thereby reducing current taxes payable. Consolidated income tax on unrealized gross profit was thus deferred in the cumulative amount of $118 million at year-end.

Retirement and Profit-Sharing Plans—Corporate contributions and provisions for the retirement, savings and profit-sharing plans of Montgomery Ward and Container Corporation for 1968 totaled $10.9 million, compared with $8.8 million in 1967. Total assets of the funds exceeded $200 million as of the end of the year. The company has funded all vested benefits and made provision for the aggregate unfunded prior service cost of the retirement plans.

Dividend Payments and Stockholder Equity—Dividends are being paid at the current rate of $1.00 per share for common stock and $2.00 per share for convertible preferred stock. Stockholders' equity totaled $818 million, or $41.23 per share of Marcor common, at year-end. During February, after the close of the fiscal year, Container Corporation purchased 169,000 shares of Marcor convertible preferred stock for corporate purposes at a cost of $9.5 million.

Subsidiary Operations—Pioneer Trust & Savings Bank earned $1.9 million in fiscal 1968, compared with $1.7 million in 1967. Total resources exceeded $220 million at December 31, 1968. Montgomery Ward Life Insurance Company increased insurance in force, including credit life and employee group coverages, to $789 million as of December 31, 1968, compared with $700 million last year.

Acquisitions—During 1968, Montgomery Ward purchased the remaining 51% ownership of Hoffman Products Corporation, a principal supplier of electronic products, and re-named it Cortron Industries, Inc. Container Corporation entered the fibre drum manufacturing business during 1968 through acquistion of Monmouth Container Corporation in New Jersey. Hydro Conduit Corporation, acquired by Montgomery Ward in 1967, acquired Associated Sand & Gravel Company of Washington in March, 1968 and J. W. Peters & Sons, Inc. of Wisconsin, a producer of concrete and related products, in March, 1969.

Major capital expenditures by Montgomery Ward in 1968 and 1969 are for new stores, installation of computer systems in customer credit centers, and automation of merchandise ordering methods. Expenditures of $60 million are scheduled in 1969, compared with $37 million in 1968. Structural steel work at left is for a 60,000 square-foot store to open in August in Dothan, Alabama.

MARCOR

MONTGOMERY
WARD

PRESIDENT'S LETTER

Net operating earnings of Montgomery Ward were $34,347,000 in fiscal 1968, almost double the earnings of $17,425,000 reported in 1967. If Ward's earnings per share were computed on the basis of shares outstanding prior to the merger, they would have been $2.66, highest since 1953, compared with $1.31 last year. Profit improvement came from all parts of our business, reflecting the benefits of cost-savings, creative merchandising and quality improvement programs which have been adopted in the past five years. . . . Record total sales of $1,985,564,000 were 5.7% higher than last year's sales of $1,879,009,000. . . . Capital expenditures for new stores, equipment, computerized credit centers and other major improvements totaled $37 million in 1968, compared with $27 million in 1967. We have scheduled capital expenditures of $60 million for establishment of central credit centers and the opening of new stores in 1969. We have a firm foundation for acceleration of Ward's growth in our urban metro markets, which produced 54% of our retail sales and 65% of our retail profits in 1968. . . . To strengthen top management for further growth, the Board of Directors elected James Lutz executive vice president—merchandising and promoted from divisional to corporate vice presidents Robert M. Harrell, retail merchandise manager; Phillip I. Lifschultz, corporate tax division manager, and Kermit A. Pickett, corporate systems manager. . . . Promoted to divisional vice presidents were Dean R. Lewis, customer service manager, and Herman A. Nater, general distribution manager. John B. Stark, general merchandise control manager, was elected an assistant vice president. . . . Recruiting and training programs now are supplying competent people for all management levels from stores to corporate offices. Improvements in our benefits and incentive programs, combined with maximum contributions to employee profit-saving plans, have stimulated increased enthusiasm among our 100,000 employees. . . . New merchandise and service policies are tailored to the changing demands of our increasingly youthful, educated and sophisticated customers. . . . It is gratifying to report that managers and employees from all parts of our nationwide organization have shared in transforming Wards into the dynamic, modern, national retail chain it is today.

Edward S. Donnell

Edward S. Donnell, President

Responsibility for management of Montgomery Ward is shared by many executives. Sidney A. McKnight (far left), at 54, is senior regional vice president, having served 15 years as manager of the South Central Region. President Edward S. Donnell, 49 (center), and James Lutz, 51, executive vice president—merchandising, with other regional and staff vice presidents, are providing the leadership that is revitalizing Ward's operations and services.


MONTGOMERY
WARD
automotive
center

SERVICE THROUGH RETAILING

Retail sales of Montgomery Ward merchandise increased 5.9% to a record $1,450,577,000, compared with $1,369,647,000 last year. Approximately 58% of these sales were developed by 96 large stores, each with more than $5 million annual sales, as compared with 31 large stores which produced 32% of retail sales in 1959.... Wards increased its total retail selling space in 1968 to a new high of 19.5 million square feet. Approximately 75% of this store space has been built in the last 10 years. The company opened 13 new stores in 1968, five of them large units in major metropolitan market areas, and eight large new stores to replace smaller units. Twelve stores were closed without retail store replacements.... The 1969 store opening program will be accelerated to 22. Seven will be large stores in established metropolitan markets and 15 will replace existing stores. Future plans indicate Ward's new store openings probably will exceed the number of store closings each year.... The company has improved merchandise controls, customer services and profitability through metropolitan district management staffs which now manage 115 retail stores in 19 major urban areas. Each district has its own merchandising, distribution, advertising, warehousing, inventory and expense control systems. As new stores are added to these metro districts, fixed costs are proportionately reduced, adding an incremental margin of profit to the retail operations in these markets.

First pylon sign to use Montgomery Ward's colorful corporate identification symbol was "lit up" in Denver on January 30 to mark the opening of the company's first new store of 1969—a 142,000 square-foot store with an 18-stall auto service center, largest of the 31 stores in the new North Valley Shopping Center's enclosed shopping mall.

SERVICE THROUGH CATALOGS

Ward's catalog sales increased 5% to $534,986,000 and returned a profit in 1968. Aggressive merchandising promotions, combined with larger catalog circulation and a more effective catalog distribution program, boosted sales by 8% in the last half of 1968, compared with an increase of only 1.3% for the first half of the year. Mechanization of the customer index file and more sophisticated evaluation techniques have made it possible to improve control of catalog circulation to customers and to improve the sales productivity of each catalog.... Both size and profit of average unit sales have been increased by improving merchandise assortments and placing a greater emphasis on high quality and fashion merchandise.... Mechanization of catalog house inventories has made it possible to centralize merchandise replenishment, which in turn is improving inventory turnover and reducing exposure to merchandise losses.... The company has lowered costs and improved customer service and inventory control by centralizing and computerizing its buying systems for the majority of catalog lines.... During the past four years, Montgomery Ward has put 804 entrepreneurs into business by developing a network of individually-owned catalog sales agencies in small communities. Many company-owned catalog stores have been converted to agencies, mostly serving medium-sized market areas.... Improving profit performance, combined with a 50% projected growth of catalog industry sales by 1975, indicates Ward's streamlined catalog operations are now prepared to share in the growth of this market on an increasingly profitable basis.

Giving customers what they want with the least fuss and bother is the new role of catalog merchandising—no problems of traffic, parking, or waiting. With a Charg-all card and a telephone call, customers can quickly have outfits such as a white crepe skimmer with jeweled halter, city-pants with tunic top, and a puckered knit swimsuit with cool cutouts—all from the Spring and Summer catalog.

SERVICE THROUGH MERCHANDISING

Merchandising programs are increasingly responsive to consumer demands for quality, value, style and variety.... Fashion designers of Ward's Designer Advisory Council work closely with apparel buyers to assure Ward customers of wide selections of high quality, fashion-right apparel at economical prices.... Wards now is a pace-setter in fashions and a leader in creative research and development of new products and customer services. Increased sales of fast-moving, high-margin merchandise are producing higher profits. In 1968, Wards accelerated development of specialty shops, "boutiques" and "in-store shopping centers" where full lines of merchandise are offered to meet customer desires for individualized service. A major success in catering to the expanding, affluent young adult market is the Club Room, a clothing and specialty shop for fashion-conscious businessmen. Nine were opened during the year, with many more planned for 1969. Other "boutique" atmosphere shops include The Combo Shop and The Chain Shop featuring popular apparel and accessories for boys and teen-agers; the International Ski Chalet; the Golf Pro Shop; pavilions with furniture, furnishings and accessories in coordinated room environments; Gourmet International Shops, offering colorful specialty utensils and accessories for the preparation and serving of gourmet foods.... A national magazine advertising program launched in March in *Life, Look, McCall's* and *Better Homes and Gardens* will reach millions of families in 15 metropolitan markets during 1969. The advertisements, featuring the copy theme, "Wards, the Unexpected," dramatically present the great variety of merchandise offered customers by Wards.

Colorful, high fashion men's wear is surging on the crest of a new wave of popularity in Montgomery Ward stores. To meet the demands of its youthful customers, Wards has grouped apparel and accessories into one-stop specialty shops in its new modern stores: the Club Room for college men and junior executives, the Combo Shop for young boys, the Chain Shop for swinging teens.


20
SEA KING

SERVICE THROUGH QUALITY

Montgomery Ward product development and merchandising staffs are intensifying their programs to assure high quality and value in all products. Whatever customers want to buy, whether it's by mail or phone, in home or store, by cash or credit, Wards offers "Satisfaction Guaranteed or Your Money Back," its policy for almost 100 years.... Recent new products include microwave ovens that can prepare foods in one-fifth the time taken by ordinary ranges; gas and electric ranges that provide self-cleaning of both oven and broiler at one setting; a lightweight power mower; new radial-ply tires offering improved durability and traction; inflatable canoes and kayaks, and the latest in sports equipment.... To assure high standards, Montgomery Ward designs many products and develops its own specifications in its multi-million dollar Research and Development Center where research staffs conducted 400,000 torture tests on more than 13,000 products in 1968. Customer service programs for installation and quick repair were expanded and improved by using computers to analyze product performance, to speed distribution of parts and to calculate future need for replacement components.... The customer service organization improved its training programs and added two mobile training units for regional and local training schools. The National Parts Center has shortened delivery time for replacement parts and will add approximately 80,000 square feet of space to serve additional stores.... During the year, more than 700,000 customers purchased service contract agreements that assure them of guaranteed maintenance for Ward appliances, garden equipment and other major product lines.

Better values and quality, with simpler maintenance are standards of Ward's research, buying and manufacturing divisions in providing satisfaction for customers. At left are a few of Ward's many new products: a radial-ply tire, self-cleaning oven, six-speaker FM/AM stereo console, seven horsepower tractor and 20 horsepower outboard motor.


THE ART OF INTERIOR DECORATING

SERVICES FOR CUSTOMERS

The business of providing more and better services for the convenience of customers has quadrupled in dollars and more than doubled as a percent of total sales in the past 10 years.... Wards is continuing its leadership in providing specialized services for customers of all ages. Wendy Ward charm and self-improvement courses now are taught in 178 stores and graduates of these courses, mostly teen-age girls, exceed one million. A new series of eight 1½ hour classes in home decorating was introduced in March of 1969 and will be offered in 90 stores by year-end. Customers enrolling in these courses, which are taught by experienced instructors, study the elements of design, furniture styles, room arrangement, color, and related subjects. Wards also offers advisory services for planning and remodeling of kitchens and bathrooms, installation of central heating and air conditioning and other home improvements.... Ward's one-stop customer accommodation centers in approximately 200 stores provide a variety of services that include utility bill payment, check cashing, money orders, licenses and photocopying. The company attracts many new customers through these service centers in metro district stores. More than 500 Ward stores provide tire and auto service, in addition to sales and installation of tires, batteries and accessories. Ward stores in Los Angeles, Phoenix and Orlando offer rent-a-car services and credit customers can use their Charg-all cards for car rentals or leases. Patrons of Wards auto service centers there can rent a car while theirs is being serviced.... Other services include beauty salons and floral services; snack bars, coffee shops, cafeterias and buffeterias serve 150,000 customers daily.

Most recent addition to Ward's retail store counseling services for customers is a series of professionally taught classes on "The Art of Interior Decorating," soon to be offered in most large stores. Wards also provides counseling in fashions, charm and grooming and the planning of home improvements, including installation of colorful bathrooms and electronic kitchens.

SERVICE TO COMMUNITY AND EMPLOYEES

Ward's tradition as a good corporate citizen is receiving new impetus from training programs for previously-unemployable young men, increased participation in cooperative educational programs, leadership in consumer protection legislation, and increased involvement in the improvement of community social and economic conditions.... Last year, the company began a program to train 282 "unemployable" men in 11 metropolitan areas under the Federal program that assists Wards with orientation, training, and counseling services beyond the normal needs of a beginning employee.... The company continues active support of Federal and state legislation that promotes knowledgeable buying decisions by its customers.... Involvement in community relations has increased with additional employee and financial support of civic, health, and welfare services.... Looking to the future, Wards last year enrolled a total of 203 college cadets, 681 junior management trainees, 108 in-company trainees, 124 middle management trainees, and several senior management executives. It also provided part-time employment and training for approximately 1,000 students of Distributive Education.... Wards pioneered use of the Mark II computer to train retail store staff members. In the company's "Decision Dynamics" program, these future store managers direct the "Realtown" store for one year in just three days. Their merchandising and operating plans are evaluated immediately and reflected in sales and profit figures.... Improvements in employee benefits last year included a reduction in employee contributions to group insurance, an increase in medical benefits, improvements in retirement income, and a liberalization in profit-sharing.

Role-playing sessions dealing with on-the-job problems are video taped for classroom study as part of Ward's national program to prepare disadvantaged young adults for employment in catalog and retail operations. Continuous training and counseling, combined with 300 hours of basic education, prepare trainees for promotion from beginning jobs to more responsible and higher paying assignments.

DIRECTORS

Robert E. Brooker
Chairman and Chief Executive Officer, Montgomery Ward

Edward S. Donnell
President, Montgomery Ward

James J. Nance
Chairman of the Executive Committee, Montgomery Ward

Dwight M. Cochran
Retired President, Kern County Land Company, San Francisco

Harold F. Dysart
Vice President—Operating, Montgomery Ward

Donald M. Graham
Chairman of the Board, Continental Illinois National Bank & Trust Company of Chicago

Edward Gudeman
Limited Partner, Lehman Brothers, New York

James Lutz
Executive Vice President—Merchandising, Montgomery Ward

Sidney A. McKnight
Vice President, Montgomery Ward

Robert L. Milligan
Chairman, Pure Oil Company, a Division of Union Oil Company of California, Chicago

Martin D. Munger
Vice President, Montgomery Ward

Leo H. Schoenhofen
Chairman and Chief Executive Officer, Container Corporation

Henry G. Van der Eb
President, Container Corporation

Frederick H. Veach
Vice President, Montgomery Ward

Daniel Walker
Vice President, General Counsel and Secretary, Montgomery Ward

S. Donald Ward
Vice President, Montgomery Ward

Gordon R. Worley
Vice President—Finance, Montgomery Ward

MONTGOMERY WARD

OFFICERS

Robert E. Brooker
Chairman and Chief Executive Officer

Edward S. Donnell
President

James Lutz
Executive Vice President—Merchandising

VICE PRESIDENTS

Richard L. Abbott
New York Office

Ashley D. DeShazor
Credit

Harold F. Dysart
Operating

John D. Foster
Personnel

Robert M. Harrell
Retail Merchandising

Phillip I. Lifschultz
Taxes

Sidney A. McKnight
South Central Region

Martin D. Munger
Eastern Region

Kermit A. Pickett
Systems

Frederick H. Veach
Western Region

Daniel Walker
General Counsel and Secretary

S. Donald Ward
North Central Region

Gordon R. Worley
Finance

DIVISIONAL VICE PRESIDENTS

Sanford W. Allred
Catalog Merchandising

Chett A. Eckman
Catalog Operations

Robert V. Guelich
Public Relations

Dean R. Lewis
Customer Service

John A. Marchese
Procurement

Herman A. Nater
Distribution

Richard C. Scheidt
Labor Relations

ASSISTANT VICE PRESIDENTS

Leo J. Leydon
Auditing

William J. Schroeder
Accounting

John B. Stark
Merchandising Control

TREASURER

Harold E. Sortor

ASSISTANT TREASURERS

James D. Gibbons
Financial Analysis

Russell E. Mooney Jr.
Banking Operations

John F. Rice
New Business Development

Roger M. Vasey
Field Operations

ASSISTANT SECRETARIES

Harold W. Bancroft
Mark C. Curran
William F. McNally
James G. McWaters
Joseph R. Petr
Irwin J. Shapiro
William A. Voss

CCA

PRESIDENT'S LETTER

Results for 1968 reflected favorable demand conditions in virtually all markets. Record sales of $469,359,000 last year, up from $463,135,000 in 1967, marked the eleventh year of uninterrupted sales growth. This comparison includes $33,261,000 of 1967 sales by German subsidiaries, which were sold at the end of that year.... On a comparable basis, consolidated sales increased by 9% in 1968.... Sales by comparable overseas subsidiaries were $92,432,000 in 1968, 12% ahead of 1967 sales of $82,369,000.... Net earnings for the year were $31,612,000 compared with $32,906,000 in 1967. The decrease resulted from the Federal surcharge on corporate income taxes, as well as substantially higher labor, material, and transportation costs. While significant increases in operating efficiencies were achieved in domestic operations and some price increases were effected, they were not sufficient to offset higher costs in manufacturing.... Profits of overseas subsidiaries increased from 21% to 27% of total earnings, or from $7,065,000 to $8,483,000, the result of operating efficiencies effected by local managements and recent capital investments.... Capital expenditures in 1968 totaled $46,322,000, including completion of shipping container plants in California and Mexico during the year, and new plants scheduled to be completed in 1969 in Ohio and Italy. Capacities of paperboard mills in Indiana, California, Mexico and Venezuela were increased last year, and a major expansion program is now under way at our Florida mill.... We continued our diversification program in 1968 by entering the fibre drum manufacturing business through acquisition of the Monmouth Container Corporation, Matawan, New Jersey.... Our management was strengthened by the election of Donn O. Jennings and William B. Whiting as senior vice presidents and Albert A. Austin, R. William Erskine, William E. Mastbaum, Morton H. Robinson, and Stanley B. Tamkin as divisional vice presidents.... Packaging demand has been strong in the opening months of 1969, with all indications pointing to the continuation of a favorable balance between industry capacity and demand. We are confident that the employees of Container Corporation will have increasing opportunity to apply their special skills to the needs of customers, and will respond capably to meet the challenge of 1969, maintaining the company's leadership position in the packaging industry.

H. G. Van der Eb

Henry G. Van der Eb, President

Operations of Container Corporation are directed by this management team headed by Henry G. Van der Eb (left), elected company president November 4, 1968. Responsibilities of Executive Vice President Frederick S. Crysler (right) include company's paperboard manufacturing operations. Executive Vice President Thomas F. Cass (center) is in charge of package fabricating divisions.


PATIO
KRISPY
Frito Lay's

SERVING THE NEEDS OF CONSUMERS

Sales of finished packaging products totaled $393,149,000, or 84% of 1968 sales. These finished packaging products included corrugated and solid fibre shipping containers, folding cartons, fibre cans and drums, multi-wall bags, point-of-purchase displays, and plastic packages for consumer and industrial products.... By applying creativity and craftsmanship to paperboard and plastic materials, Container Corporation earns a higher-than-average return on its investment. The company concentrates on development of custom-designed packages to meet specialized needs of thousands of customer companies served by the 85 package-manufacturing plants Container Corporation operates in the United States, Western Europe, and Latin America.... Consideration of product warehousing, shipping and handling requirements is built into shipping containers which carry industrial, agricultural, and retail products from the farm or factory to their point of use or purchase.... For consumer packaging, such factors as color, design appeal, visibility, informative labeling, and consumer convenience are analyzed as part of a comprehensive evaluation of factors which determine the successful marketing of a package and its product.... One of the elements that distinguishes Container Corporation from its competitors is its orientation to the needs of consumers. Through its Design and Market Research Laboratories, studies are made of the attitudes, life styles, preferences, and needs of the American consumer. Focal point for this activity is a modern package research center at Carol Stream, Illinois, which is headquarters for a national research network and houses a consumer panel operation.

Container Corporation creates and produces packages for consumer products worth billions of dollars. The company's principal consumer package is the paperboard carton, used in marketing the majority of items sold in supermarkets, drugstores, and other retail outlets. The design of packages with sales appeal is aided by tests in laboratory environments, simulating conditions of the marketplace.


RAIN DROPS
water softener
cheer
Surf
No-Pest Strip
Diaper-Sweet
Pampers
KLEENEX
Kleenex

SERVING CONSUMER PACKAGING MARKETS

Sales of paperboard cartons and fibre cans, the two main consumer packages manufactured by Container Corporation, totaled $153,196,000 in 1968, or 33% of world-wide sales.... Container Corporation is able to contribute cost-savings and efficiencies to the manufacturing and marketing operations of food processors by developing new package structures and automatic equipment for forming, filling, and closing packages.... A recently-developed system, the Concora 450, packages frozen vegetables at speeds up to 450 packages per minute....Container Corporation's new high-gloss plastic and wax-plastic coatings protect freshness and flavor of frozen fruits and vegetables, while increasing point-of-sale appeal.... The first of a series of high speed, multiple-packaging systems for disposable glass bottles for beer and soft drinks was introduced during 1968 by the domestic folding carton division.... A sophisticated system, Concora LCM, combines paperboard cartons and hermetically-sealed inner pouches for packaging of cookies, crackers, cereals and other hygroscopic products.... A new carton operation was established during 1968 in Atlanta, the nineteenth such facility world-wide. The carton plant in St. Paul is being expanded by 40%.... Fibre cans, another important package for consumer products, combine paperboard bodies with metal or plastic ends. Technological improvements have opened up new markets for fibre cans, including anti-freeze, shortening, snack foods, frozen fruits and juices. Additional markets are being opened for the company's nine domestic fibre can plants through recent developments that now make it economical and safe to package liquids and gases in fibre cans.

To insure production of successful consumer packages, strict quality control is maintained at all carton plants. Precision color control is essential since all packages for a particular consumer product must be identical. Understanding the needs of consumers is vital to development of millions of packages the company makes for foods, drugs, cosmetics, and other consumer products.


PAN AM

SERVING INDUSTRIAL PACKAGING MARKETS

Shipping container sales totaled $221,875,000, an increase of 11.4% from 1967. Container Corporation of America is the major producer in the corrugated and solid-fibre shipping container market, which is expected to expand at an annual rate of 5% during the next decade. The containers produced by the company's 42 plants, located in manufacturing and distribution centers in six countries, accounted for approximately 47% of Container's 1968 sales total.... Emphasis is on development of packaging systems to meet the needs of a single company or an entire industry. The Containervac system combines a corrugated container with an inner foil-laminate pouch for vacuum and gas packaging of numerous products.... Heavy-duty shipping containers made of Dinacor, a patented double-wall corrugated fibreboard, are being used extensively for storage and shipment of such diverse products as plastic pellets and frozen foods.... A new automatic packaging system mechanically wraps a corrugated blank around a product, thereby containerizing it on the factory production line.... An automatic machine that assembles beverage cases in bottling plants at the rate of 1,200 cases per hour was developed by Container Corporation for the beer and soft drink industries in 1968.... To maintain and strengthen its position of leadership in the container industry, the company built new plants in Corona, California and Mexico City last year. Similar plants are now under construction in Fort Worth, Texas; Ravenna, Ohio and Anzio, Italy. The capacities of shipping container plants in Sioux City, Iowa and Fulton, New York are being increased in 1969.

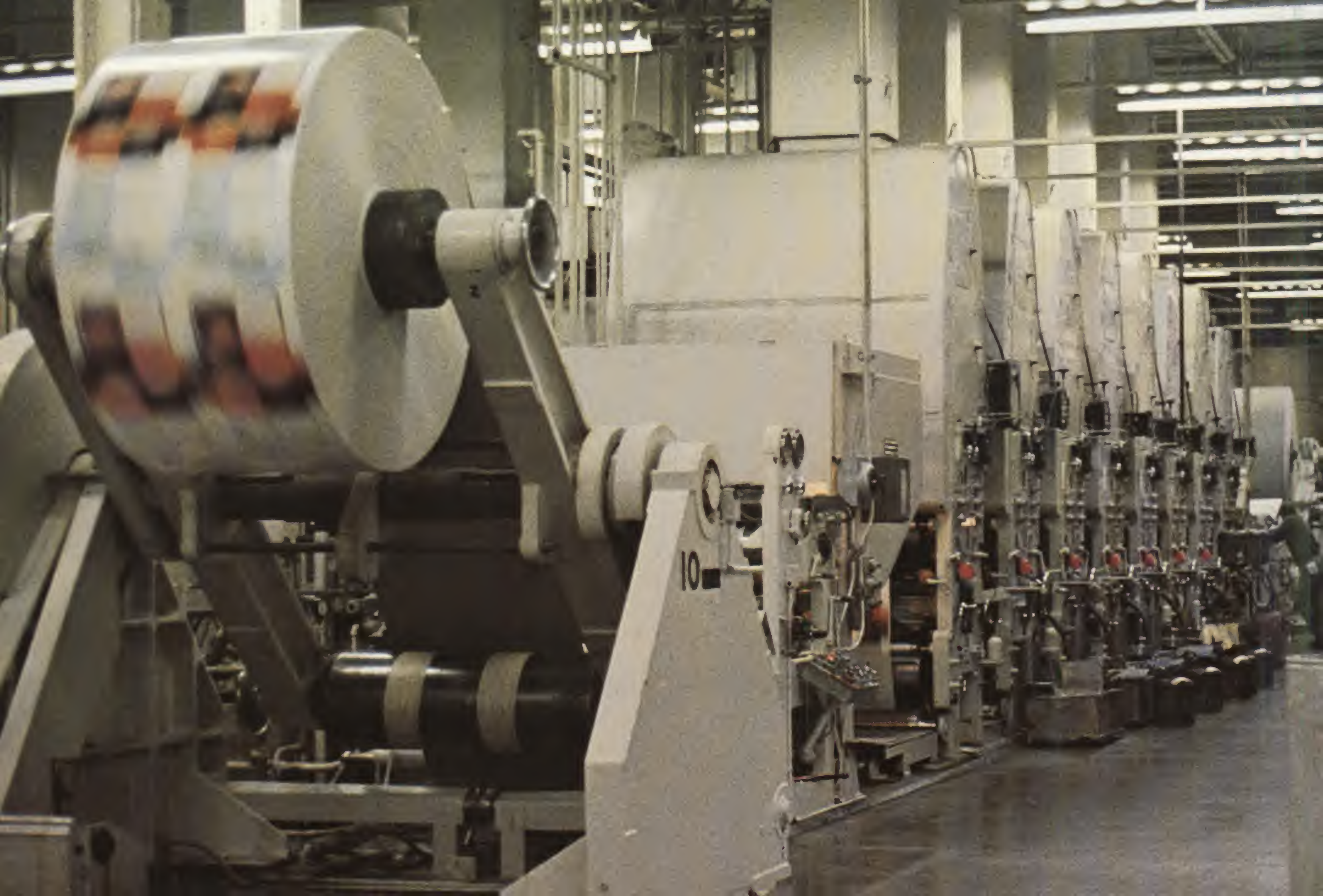
A vital role for the shipping container is protection of the products of industry during all phases of transportation, from production line to point of ultimate use. Container Corporation's Dinacor heavy-duty shipping containers are used widely for storage and rapid shipment by most of the nation's manufacturing and processing industries.


DETERGENTS
CHEMICALS
ACIDS
CAUST

SERVING INDUSTRY WITH PLASTICS

Plastic packaging is one of the most rapidly expanding segments of the packaging industry. Through its seven plastics plants, Container Corporation shares in this growth, manufacturing a variety of consumer and industrial items. The plastics division has been expanding at the rate of 15 to 20% annually, with the possibility of more rapid growth in the future.... In 1968, the division added a new plastic drum, the Delcan Plus, to its line of industrial containers for the shipment of chemicals, pharmaceuticals, biologicals, foods, and other liquids.... Another 1968 addition to its industrial plastic container line was a large bulk container for liquid foods and chemicals. Plastic drums and carboys rapidly are replacing glass carboys which traditionally served as containers for acids and chemicals. Large plastic storage and mixing tanks have been developed to replace metal tanks in industrial applications where corrosion resistance is required.... In 1968, the plastics division increased its capacity for compounding special formulations of plastic resins for other manufacturers.... In consumer packaging, the division last year developed a new foamed polystyrene egg carton.... Illustrative of its constant effort to expand the market for plastic products, this new package is now being introduced in the market from a pilot plant. The new carton has superior cushioning properties which assure protection of its fragile contents en route to market and is designed to be compatible with automatic and manual egg-packaging and handling systems. A multi-color printing process was developed to give the carton increased merchandising appeal.

The plastics division of Container Corporation has pioneered the development of new types of containers which combine plastics with other materials. Plastic containers such as these are inserted into fibre drums to assure protection of foods, chemicals, and other products from corrosion, contamination, and other hazards they may encounter during storage, handling and shipping.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SERVING EXPANDING MARKETS

As Container Corporation's package designers and engineers solve distribution and marketing problems of corporate customers, they generate an increased demand for the company's packaging products and services. To meet this demand, package fabricating plants are expanded, and as output increases, demand for the principal raw material, paperboard, is increased. This sequence of events resulted in expansion of paperboard mills as well as converting plants in numerous locations last year.... Capacity of the Los Angeles paperboard mill was increased more than 50%, from 80,000 to 125,000 tons annually. Modernization of the Wabash, Indiana paperboard mill included installation of a new Ultra Former, an innovative concept in paper machine design, which increases capacity by 15% and adds dramatically to product quality.... A major expansion now under way at the Fernandina Beach, Florida, paperboard mill will double capacity to 1,300 tons of linerboard and 400 tons of corrugating medium per day. This substantial increase in production will once again bring Container's paperboard production into balance with the needs of its converting facilities.... In meeting the demand for raw materials at the package-fabricating plants, the mill division produced 1,358,000 tons of paperboard in 1968 on 23 paperboard machines at 14 mills located throughout the United States. The company remains the nation's second largest producer of paperboard. Its containerboard mills operated at virtually maximum capacity during the year, and all company mills ran at 94% of capacity. The industry operated at 89% of capacity.

Modern, high-speed printing presses are essential to the efficient production of high quality packages. They are an important part of the capital investment program of Container Corporation, giving the company capability for high-quality reproduction by offset, letterpress, and rotogravure methods. Leadership in packaging makes the company one of the largest printers in the country.

SERVING REQUIREMENTS OF THE FUTURE

Container Corporation's research and development program was a significant factor in the company's growth during 1968. Its results, in the form of new packages, machines, materials, and systems, made substantial contributions to the sales and profits of mill and fabricating divisions. Product research emphasized solution of marketing and distribution problems of customer companies and industries. Extensive product development work is conducted at all operating facilities, supported by research and development activities at laboratories in Chicago, St. Louis, Wilmington, and Valley Forge.... To improve its principal raw material, Container Corporation continued to work on the development of genetically superior seedlings to increase the productivity of company timberlands. In 1968 more than 12 million seedlings were planted by Container Corporation or distributed to forest farmers and landowners.... The company's most important resource is its 20,000 employees, working in a decentralized organization that gives considerable autonomy to managers of local facilities. These managers receive centralized staff support in marketing, personnel development, industrial engineering, product development, and financial control.... Decentralization provides flexibility to meet competitive requirements of local markets, and fosters development of managers by giving them a broad range of experience early in their careers.... Employee pension plans, group insurance, and holiday and vacation policies of the company also were strengthened during 1968.... Personnel recruitment and development programs of the company have been organized to insure high standards of professional management.

The Walter Paepcke Packaging Center at Carol Stream, Illinois was dedicated on September 18, 1968. Honoring the founder of Container Corporation, it includes fabricating plants for paperboard cartons and shipping containers, a transportation center, design and market research laboratories, and a research and marketing center.

DIRECTORS

Carl M. Blumenschein
Senior Vice President-Finance, Container Corporation

Robert E. Brooker
Chairman and Chief Executive Officer, Montgomery Ward

Thomas F. Cass
Executive Vice President, Container Corporation

Frederick S. Crysler
Executive Vice President, Container Corporation

Edward S. Donnell
President, Montgomery Ward

Harry E. Green
Senior Vice President and General Counsel, Container Corporation

Paul W. Guenzel
Vice President and Treasurer, Container Corporation

Leo H. Schoenhofen
Chairman and Chief Executive Officer, Container Corporation

Henry G. Van der Eb
President, Container Corporation

CCA

OFFICERS

Leo H. Schoenhofen
Chairman and Chief Executive Officer

Henry G. Van der Eb
President

Thomas F. Cass
Executive Vice President

Frederick S. Crysler
Executive Vice President

Carl M. Blumenschein
Senior Vice President-Finance

R. Harper Brown
Senior Vice President

Harry E. Green
Senior Vice President and General Counsel

Paul W. Guenzel
Vice President and Treasurer

Donn O. Jennings
Senior Vice President

Everett G. Temple
Senior Vice President

William B. Whiting
Senior Vice President

Richard C. Bittenbender
Vice President-Personnel

Laurence A. Combs
Vice President-Industrial Relations

Robert E. Feltes
Controller

Edward K. Meier
Secretary

DIVISIONAL VICE PRESIDENTS

SHIPPING CONTAINERS

Albert L. Ahlers
Charles B. Bishop
Lewis M. Cutter
Macon M. Dalton
Frank G. Jones
Richard C. Winkler

FOLDING CARTONS

Albert A. Austin
Paul A. Graf
William E. Mastbaum
Morton H. Robinson
J. Donald Scott
David C. Whitehouse

FIBRE CANS

Thomas L. Benson Jr.
Robert J. Brockman

PAPERBOARD MILLS

R. William Erskine
Robert E. Phinney

PLASTICS

Jerome S. Heisler

OVERSEAS

Earl P. Kaufman
William H. Richards
Stanley B. Tamkin

RESEARCH

William P. Peters

ASSISTANT CONTROLLERS

Chester M. Blythe
H. Woodward Johnson
William P. Lee
Wayne H. Owens

ASSISTANT TREASURERS

John J. Egan
Arthur R. Johnson

ASSISTANT SECRETARIES

Richard W. Carpenter
Edmund H. Drager Jr.
Joseph B. Higgs

MARCOR

FINANCIAL INFORMATION

STATEMENT OF EARNINGS
for the years ended January 31, 1969 and 1968

	1968	1967
Net Sales	$2,500,705,000	$2,352,293,000
Costs and Expenses:		
Cost of goods sold, including net occupancy and buying expenses of Montgomery Ward & Co., Incorporated	$1,790,983,000	$1,730,722,000
Interest expense	58,667,000	45,025,000
All other expenses	528,162,000	486,826,000
Total	$2,377,812,000	$2,262,573,000
Earnings before Taxes on Income	$ 122,893,000	$ 89,720,000
Provision for Taxes on Income:		
Currently payable	$ 23,577,000	$ 21,554,000
Deferred to future periods	34,944,000	16,679,000
Total	$ 58,521,000	$ 38,233,000
Earnings from Operations	$ 64,372,000	$ 51,487,000
Earnings of subsidiaries not consolidated	1,586,000	1,712,000
Minority interest in net earnings of subsidiaries	(2,067,000)	(1,803,000)
Net Earnings of Montgomery Ward & Container Corporation	$ 63,891,000	$ 51,396,000
Net Earnings of Container Corporation Applicable to Common Shares Exchanged for Debentures	(10,081,000)	(13,953,000)
Net Earnings	$ 53,810,000	$ 37,443,000
Net Earnings Applicable to Common Stock:		
Net earnings	$ 53,810,000	$ 37,443,000
Less—Pro forma dividends on preferred stock	(13,802,000)	(14,157,000)
Net earnings applicable to common stock	$ 40,008,000	$ 23,286,000
Net Earnings Per Share of Common Stock (based on average number of shares outstanding)	$3.18	$1.85

STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS
for the years ended January 31, 1969 and 1968

	1968	1967
Balance at Beginning of Period:		
Marcor Inc.	$548,898,000	$ —
Montgomery Ward & Co., Incorporated	—	448,515,000
Container Corporation of America	—	159,186,000
Adjustments in connection with merger	(73,000)	(73,953,000)
Balance at Beginning of Period as Restated	$548,825,000	$533,748,000
Net Earnings	53,810,000	37,443,000
Total	$602,635,000	$571,191,000
Cash Dividends:		
Montgomery Ward & Co., Incorporated:		
Common stock ($.75 per share in 1968 and $1.00 per share in 1967)	$ 9,440,000	$ 12,586,000
Class A stock ($5.84 per share in 1968 and $7.00 per share in 1967)	723,000	968,000
Container Corporation of America ($1.40 per share in 1968 and $1.30 per share in 1967) excluding portion applicable to common stock exchanged for debentures	9,203,000	8,577,000
Marcor Inc. (since October 31, 1968):		
Preferred stock ($.41⅔ per share)	2,752,000	—
Common stock ($.25 per share)	3,147,000	—
Total Dividends	$ 25,265,000	$ 22,131,000
Excess of Cost Over Stated Value of Montgomery Ward & Co., Incorporated Class A Stock Acquired and Retired	4,945,000	162,000
Total	$ 30,210,000	$ 22,293,000
Balance at End of Period	$572,425,000	$548,898,000

Explanatory notes to these financial statements appear on Pages 55 through 57.

BALANCE SHEET
January 31, 1969 and 1968

ASSETS

	1969	1968
Current Assets:		
Cash	$ 54,068,000	$ 55,848,000
Marketable securities, at cost which approximated market	41,684,000	22,363,000
Receivables, less reserves of $46,380,000 in 1969 and $40,678,000 in 1968	1,047,823,000	900,348,000
Inventories, at the lower of cost or market	499,448,000	447,955,000
Prepaid expenses	46,901,000	52,256,000
Total current assets	$1,689,924,000	$1,478,770,000
Investments and Other Assets	$ 48,721,000	$ 50,721,000
Properties and Equipment, at cost:		
Land	$ 60,121,000	$ 53,942,000
Timberlands, less depletion	40,706,000	39,138,000
Buildings	353,484,000	318,941,000
Leasehold improvements	30,679,000	29,966,000
Machinery, fixtures and equipment	554,329,000	503,318,000
Funds for construction in process	52,825,000	—
	$1,092,144,000	$ 945,305,000
Less—Accumulated depreciation and amortization	385,653,000	343,026,000
Properties and equipment, net	$ 706,491,000	$ 602,279,000
Unamortized Financing Costs	$ 6,174,000	$ 4,411,000
Cost in Excess of Net Assets of Acquired Subsidiaries	$ 166,697,000	$ 13,532,000
	$2,618,007,000	$2,149,713,000

LIABILITIES

Current Liabilities:	1969	1968
Short-term loans and current portion of long-term debt	$ 444,849,000	$ 377,826,000
Accounts payable and accrued expenses	303,174,000	252,308,000
Federal taxes on income—Currently payable	10,886,000	14,318,000
Deferred (primarily relating to installment receivables)	88,231,000	55,679,000
Total current liabilities	$ 847,140,000	$ 700,131,000
Deferred Federal Taxes on Income (relating to accelerated depreciation)	$ 37,960,000	$ 35,568,000
Long-Term Debt (less amounts due within one year):		
Senior indebtedness	$ 603,734,000	$ 469,898,000
Subordinated indebtedness	299,181,000	29,950,000
Total long-term debt	$ 902,915,000	$ 499,848,000
Minority Interest in Subsidiaries (including $111,503,000 in 1968 applicable to stock exchanged for Marcor debentures)	$ 12,377,000	$ 122,491,000
Stockholders' Equity:		
Preferred stock, $1.00 par value, issuable in series, authorized 30,000,000 shares; outstanding, Series A, $2.00 per share cumulative dividends, 6,612,352 shares in 1969 and 6,566,049 shares (pro-forma) in 1968 at stated value (convertible into common stock at any time on a share for share basis and callable after May 1, 1974 at $45 per share liquidating value)	$ 39,800,000	$ 38,369,000
Common stock, $1.00 par value, at stated value—Authorized, 50,000,000 shares; outstanding, 12,613,392 shares in 1969 and 12,586,557 shares in 1968	205,390,000	204,408,000
Earnings reinvested in the business	572,425,000	548,898,000
Total stockholders' equity	$ 817,615,000	$ 791,675,000
	$2,618,007,000	$2,149,713,000

Explanatory notes to these financial statements appear on Pages 55 through 57.

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS AND CHANGES IN WORKING CAPITAL

for the year ended January 31, 1969

Source of Funds:	
Net earnings	$ 53,810,000
Add—Depreciation and amortization charged to earnings	47,432,000
Increase in deferred Federal taxes on income (relating to accelerated depreciation)	2,392,000
Deduct—Undistributed net earnings of unconsolidated subsidiaries	(1,586,000)
Funds provided from operations	$102,048,000
Increase in long-term debt	414,589,000
Reduction in investments and other assets	3,586,000
Proceeds from stock options exercised	2,413,000
Total source of funds	$522,636,000
Disposition of Funds:	
Property additions and improvements, less retirements	$ 98,819,000
Funds for construction in process	52,825,000
Cost in excess of net assets of acquired subsidiaries	153,165,000
Reduction of long-term debt	11,522,000
Decrease in minority interest including premium of $4,945,000 on Ward's Class A shares exchanged for debentures	115,059,000
Cash dividends	25,265,000
Other	1,836,000
Total disposition of funds	$458,491,000
Increase in working capital	$ 64,145,000

Changes in Working Capital:	1969	1968	Increase (Decrease)
Cash and marketable securities	$ 95,752,000	$ 78,211,000	$ 17,541,000
Receivables	1,047,823,000	900,348,000	147,475,000
Inventories	499,448,000	447,955,000	51,493,000
Prepaid expenses	46,901,000	52,256,000	(5,355,000)
Total current assets	$1,689,924,000	$1,478,770,000	$ 211,154,000
Short-term loans and current portion of long-term debt	$ 444,849,000	$ 377,826,000	$ 67,023,000
Accounts payable and accrued expenses	303,174,000	252,308,000	50,866,000
Federal taxes on income:			
Currently payable	10,886,000	14,318,000	(3,432,000)
Deferred (primarily relating to installment receivables)	88,231,000	55,679,000	32,552,000
Total current liabilities	$ 847,140,000	$ 700,131,000	$ 147,009,000
Working capital	$ 842,784,000	$ 778,639,000	$ 64,145,000

Explanatory notes to these financial statements appear on Pages 55 through 57.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all significant subsidiaries. Two of these subsidiaries, the Pioneer Trust & Savings Bank and Montgomery Ward Life Insurance Company, are accounted for on the equity method. Therefore, their earnings are included in net earnings and earnings reinvested.

The Company acquired the common stock of Container Corporation of America (Container) and of Montgomery Ward & Co., Incorporated (Wards) on October 31, 1968 in exchange for its subordinated debentures and preferred and common stock. Approximately 41% of the common stock of Container was acquired in exchange for the Company's debentures and has been recorded as a purchase and, accordingly, the equity and earnings applicable to this purchase have been reflected as minority interests for all periods prior to October 31, 1968. The remaining common stock of Container (approximately 59%) has been acquired in exchange for the Company's preferred stock and this exchange, along with the exchange of the Company's common stock for Wards common stock, has been recorded as a pooling of interests and is so reflected in the financial statements of the Company for all periods prior to October 31, 1968. The Class A stock of Wards was acquired in exchange for the Company's debentures and retired.

The adjustments in connection with the merger in the Statement of Earnings Reinvested in the Business are as follows:

	1968	1967
Earnings Reinvested in the Business applicable to common shares of Container exchanged for Marcor debentures	$ —	$(65,386,000)
Excess of cost over stated value of treasury stock retired: Container	—	(1,539,000)
Wards	—	(7,028,000)
Portion of earnings of Container for the month of January 1968 applicable to common shares exchanged for Marcor preferred stock (not included in 1968 earnings due to change in fiscal year)	1,332,000	—
Costs in connection with the merger	(1,405,000)	—
Total adjustments in connection with the merger	$(73,000)	$(73,953,000)

EARNINGS PER SHARE

Earnings per common share, assuming the conversion of Series A convertible preferred stock and the exercise of stock options, were $2.71 for 1968 and $1.90 for 1967.

Pro-forma dividends on preferred stock were computed using the average number of Marcor Inc. preferred shares deemed to have been outstanding during the two years, multiplied by the current dividend rate, plus the dividends applicable to Wards Class A shares outstanding prior to the date of retirement ($968,000 in 1967 and $644,000 to October 31, 1968).

LEASE OBLIGATIONS NOT CAPITALIZED

The subsidiaries had leases having terms of more than three years in effect as of January 31, 1969, which provided for present aggregate minimum annual rentals of approximately $30,172,000. In certain instances, additional amounts are due, such as real estate taxes and additional rent based upon percentage of sales. The majority of these leases expire by 1995.

DEPRECIATION

Depreciation has been provided by Wards and Container on the straight-line method at rates considered adequate to amortize the cost of the property and equipment over its estimated useful life. Depreciation expense for the years ended January 31, 1969 and 1968, was $47,432,000 and $45,417,000 respectively.

EMPLOYEES' STOCK OPTIONS

In connection with the merger of Wards and Container, all outstanding stock options for Wards and Container common stock became stock options for Marcor's common stock and preferred stock, respectively. The following is a summary of transactions during the past year:

	Common Stock	Preferred Stock
Options outstanding at beginning of year	527,440	403,730
Options granted during year	90,620	178,500
Options exercised during year	(26,335)	(58,829)
Options cancelled or expired during year	(43,595)	(20,151)
Options outstanding at end of year	548,130	503,250
Average price of outstanding options	$ 32.67	$ 33.19
Options exercisable at January 31, 1969	271,665	158,715

Marcor will establish, subject to stockholder approval at the Annual Meeting May 27, 1969, a qualified stock option plan under which it will reserve 500,000 shares of common stock for issuance to officers and other key executives of the Company. Options will be granted at 100% of market value for a period of five years, exercisable at such time or times and subject to such conditions as the Stock Option Plan Committee may determine.

LONG-TERM DEBT (less amounts due within one year)

	January 31 1969	1968
Marcor Inc.—		
6½% Subordinated Installment Debentures due 1988	$269,304,000	$ —
Container Corporation of America and Subsidiaries—		
Sinking Fund Debentures due from 1980 to 1993 bearing interest from 3.30% to 6⅝%	74,255,000	45,704,000
Lease obligations, average interest rate of 5¾%	51,055,000	9,280,000
Other	15,707,000	16,898,000
Montgomery Ward & Co., Incorporated—		
Sinking Fund Debentures due from 1982 to 1990 bearing interest from 4⅞% to 6%	163,989,000	165,065,000
Other	4,807,000	2,166,000
Montgomery Ward Credit Corporation—		
Term Notes due 1970-71	50,000,000	50,000,000
Debentures due from 1980 to 1988 bearing interest from 4¾% to 7⅜%	185,000,000	125,000,000
5¼% Subordinated Debentures due 1981	25,000,000	25,000,000
Montgomery Ward Real Estate Subsidiaries—		
Secured Notes due serially to 1995 bearing interest from 4¾% to 5¼%	46,383,000	47,433,000
Hydro Conduit Corporation—		
Bank and subordinated loans refinanced February 28, 1969	12,727,000	12,800,000
Other	2,789,000	502,000
Hoffman Products Corporation—		
6% Mortgage Note due 1979	1,899,000	—
Total long-term debt	$902,915,000	$499,848,000

Long-term debt payment requirements, excluding $6,868,000 due in 1969, are as follows:

1970	$45,108,000	1979-1983	$181,027,000
1971	35,337,000	1984-1988	455,258,000
1972	8,023,000	1989-1993	91,600,000
1973	9,076,000	After 1993	3,912,000
1974-1978	73,574,000	Total long-term debt	$902,915,000

Under the Indenture covering the long-term indebtedness of the Company none of its Earnings Reinvested are restricted as to the payment of dividends. The indentures covering the long-term indebtedness of the Company's consolidated subsidiaries contain provisions which restrict the amount of dividends these subsidiaries may pay to the Company. Under the most restrictive of these provisions, $106,318,000 of Earnings Reinvested of these subsidiaries was available at January 31, 1969 for payment of dividends.

EARNINGS OF SUBSIDIARIES

The consolidated statements of earnings of Container Corporation of America and Montgomery Ward & Co., Incorporated follow:

Container Corporation of America and Consolidated Subsidiaries Statement of Earnings

for the years ended January 31, 1969 and December 31, 1967

	1968	1967
Net sales	$469,359,000	$463,135,000
Costs and expenses:		
Cost of products sold	$363,377,000	$358,634,000
Selling, administrative and research expenses	42,744,000	42,584,000
Interest expense	5,875,000	4,279,000
Other income, net	(3,449,000)	(2,938,000)
Total costs and expenses (including depreciation of $20,419,000 in 1968 and $20,752,000 in 1967)	$408,547,000	$402,559,000
Earnings before taxes on income	$ 60,812,000	$ 60,576,000
Provision for taxes on income	27,133,000	25,867,000
Earnings from operations	$ 33,679,000	$ 34,709,000
Minority interest in subsidiaries	2,067,000	1,803,000
Earnings before extraordinary items	$ 31,612,000	$ 32,906,000
Extraordinary items, less applicable taxes on income	—	1,065,000
Net earnings before parent company charges	$ 31,612,000	$ 33,971,000
Interest expense allocated from parent company, less applicable taxes on income of $1,157,000	1,034,000	—
Net earnings	$ 30,578,000	$ 33,971,000

The overseas operations of Container are summarized below:

	1968	1967
Net assets	$ 67,636,000	$ 59,031,000
Represented by—		
Minority interest	$ 12,377,000	$ 10,986,000
Container's equity	55,259,000	48,045,000
Total	$ 67,636,000	$ 59,031,000
Net sales	$ 92,432,000	$115,630,000
Total earnings	$ 10,550,000	$ 8,868,000
Container Corporation equity in total earnings	$ 8,483,000	$ 7,065,000

Montgomery Ward & Co., Incorporated and Consolidated Subsidiaries
Statement of Earnings

for the 52-week periods ended January 29, 1969 and January 31, 1968

	1968	1967
Net sales	$1,985,564,000	$1,879,009,000
Costs and expenses:		
Cost of merchandise sold, including net occupancy and buying expenses	$1,389,844,000	$1,364,155,000
Operating, selling, general and administrative expenses	484,144,000	446,792,000
Interest expense	47,897,000	40,380,000
Total costs and expenses (including depreciation of $24,102,000 in 1968 and $23,906,000 in 1967)	$1,921,885,000	$1,851,327,000
Earnings before taxes on income	$ 63,679,000	$ 27,682,000
Provision for taxes on income	32,518,000	12,481,000
Earnings from operations	$ 31,161,000	$ 15,201,000
Net earnings of subsidiaries not consolidated	3,186,000	2,224,000
Net earnings before parent company charges	$ 34,347,000	$ 17,425,000
Interest expense allocated from parent company, less applicable taxes on income of $1,157,000	1,034,000	—
Net earnings	$ 33,313,000	$ 17,425,000

The Statement of Earnings consolidates all subsidiaries of Montgomery Ward & Co., Incorporated except Pioneer Trust & Savings Bank, Montgomery Ward Life Insurance Company, Hydro Conduit Corporation and Hoffman Products Corporation. These subsidiaries are included in the caption Net earnings of subsidiaries not consolidated.

INVENTORIES

Inventories totaled $499 million and $448 million at January 31, 1969 and 1968, respectively. The inventories were comprised of the following:

	1969	1968
Merchandising	$434,995,000	$401,043,000
Manufacturing	64,453,000	46,912,000
Total	$499,448,000	$447,955,000

RETIREMENT PLAN

A majority of all regular full time employees of Marcor and its subsidiaries are covered by contributory retirement income plans. The total cost accrued on these plans, including interest on unfunded prior service, was $5,155,000 for 1968 and $5,007,000 for 1967. The Company has funded all vested benefits under the plans and has made provision for the aggregate unfunded prior service costs of the plans.

AUDITORS' REPORT

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS, MARCOR INC.:

We have examined the balance sheet of Marcor Inc. (a Delaware Corporation) and consolidated subsidiaries as of January 31, 1969, and the related statements of earnings, earnings reinvested and source and disposition of funds and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of Marcor Inc. and consolidated subsidiaries as of January 31, 1969, and the results of their operations and source and disposition of funds and changes in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.
Chicago, Illinois, March 14, 1969

FIVE-YEAR STATISTICAL SUMMARY ($000 omitted)

Operations:	1968	1967	1966	1965	1964
Net sales	$ 2,500,705	$ 2,352,293	$ 2,354,488	$ 2,154,049	$ 2,087,966
Net earnings*	53,810	37,443	36,699	40,050	35,501
Taxes on income (including all subsidiaries)*	49,920	27,582	26,527	30,685	27,982
Dividends*	25,265	22,131	21,803	21,215	20,171
Additions to properties and equipment	99,722	95,945	101,898	104,743	103,396
Depreciation and amortization	47,432	45,417	41,651	37,606	34,496

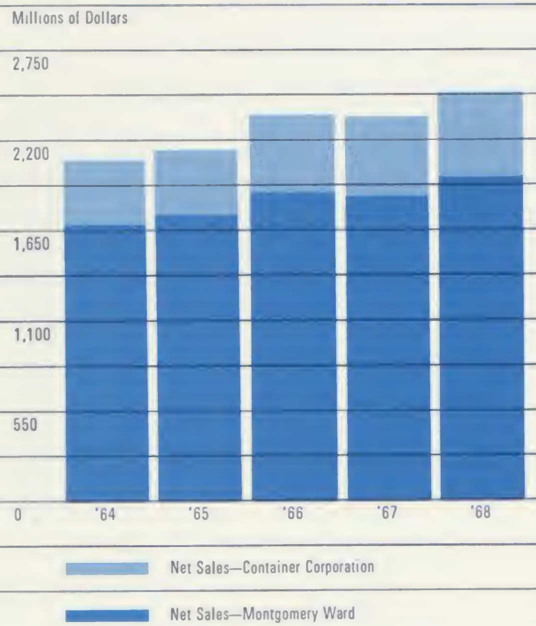
Financial Position:					
Working capital	$ 842,784	$ 778,639	$ 711,842	$ 765,108	$ 658,856
Accounts receivable	1,047,823	900,348	879,475	875,792	753,053
Inventories	499,448	447,955	457,120	445,173	390,917
Net investment in properties and equipment	706,491	602,279	580,463	523,442	461,807
Long-term debt—Senior	603,734	469,898	395,082	384,215	238,631
—Subordinated	299,181	29,950	25,000	25,000	25,000

Stockholders' Interest:					
Stockholders' equity*	$ 817,615	$ 791,675	$ 777,544	$ 762,851	$ 742,972
Investment per common share (book value of shares outstanding at end of year)*	41.23	39.42	38.19	37.03	35.62
Earnings per common share (on average number of shares outstanding)*	3.18	1.85	1.79	2.05	1.70
Earnings per common share on a fully diluted basis*	2.71	1.90	1.86	2.03	1.79
Shares outstanding—					
Preferred (pro-forma prior to 1968)	6,612,352	6,566,049	6,597,704	6,598,680	6,552,414
Common	12,613,392	12,586,557	12,586,557	12,581,422	12,578,812
Number of Stockholders	88,248	104,661	104,456	102,902	108,079

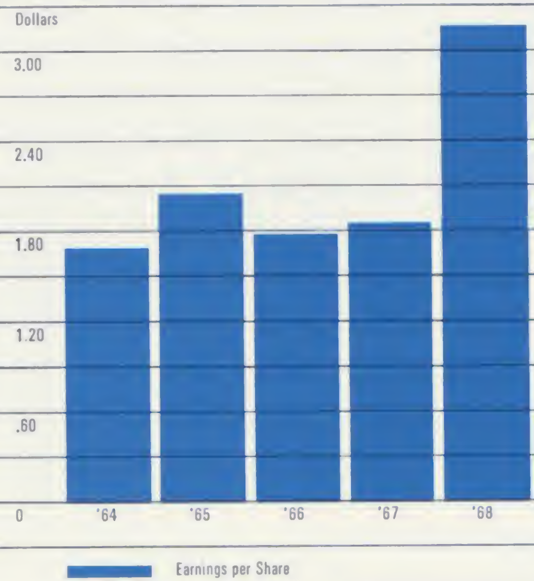
*Reduced by approximately 41% applicable to Container Corporation shares exchanged for debentures on November 1, 1968.

MARCOR FINANCIAL HIGHLIGHTS

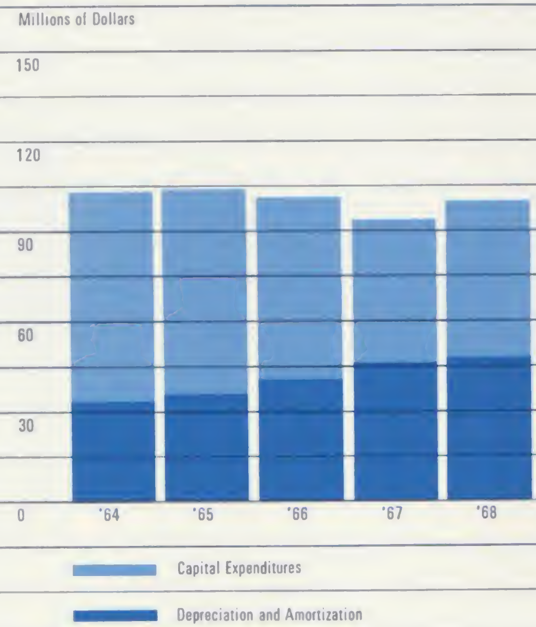
Net Sales



Earnings Per Share



Capital Expenditures



Marcor net sales in fiscal 1968 totaled $2.5 billion, compared with $2.35 billion in 1967, an increase of 6.3%.

Both Wards and Container Corporation reported record sales during the past year. Ward's sales increased 5.7% to $1.99 billion from $1.88 billion in 1967. Sales of Container Corporation increased 1.3% to $469 million compared with $463 million a year ago.

Sales for 1968 represent a 19.8% increase over combined Montgomery Ward and Container Corporation sales of $2.09 billion five years ago. Ward's sales in 1968 were 17% above sales of $1.7 billion five years ago, and Container's sales in 1968 represent a 20.2% increase over sales of $391 million in 1964.

Marcor earnings on a partial pooling basis for the 1968 fiscal year totaled $53.8 million, an increase of 43.7% over earnings of $37.4 million in 1967.

Earnings in 1968 were equivalent to $3.18 per share of common stock, after provision for preferred dividends, compared with $1.85 per share in 1967. On a fully diluted basis, per share earnings would be $2.71, compared with $1.90 in 1967.

Had the merger occurred on February 1, 1968, Marcor would report pro forma earnings of $3.54 per share for the year ended January 31, 1969, against $2.31 per share on the same accounting basis for 1967. On a fully diluted basis, pro forma earnings in fiscal 1968 were $2.95 compared with $2.20 in 1967.

Marcor capital expenditures were $100 million in 1968, compared with $96 million a year earlier.

Total depreciation was $47 million in 1968, compared with $45 million in 1967 and $34 million five years ago.

Capital expenditures for Montgomery Ward totaled $37 million in 1968, compared with $27 million in 1967.

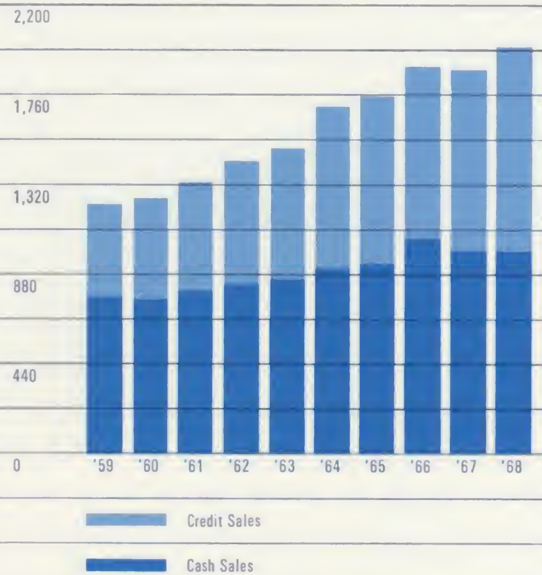
Container Corporation's capital expenditures for the year totaled $46 million compared with $50 million in 1967.

The acquisition of Hydro Conduit Corporation, Orange, California, in 1967 and of Hoffman Products Corporation, Chicago, in 1968 accounted for capital expenditures of $17 million and $19 million in those years.

MONTGOMERY WARD FINANCIAL HIGHLIGHTS

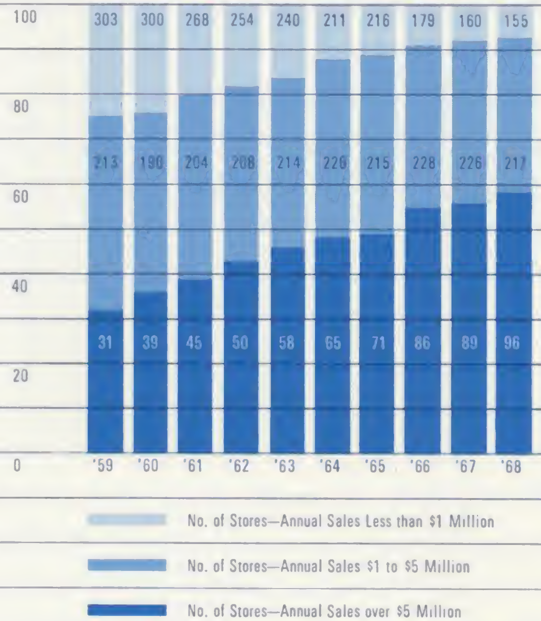
Total Sales: Cash and Credit

Millions of Dollars



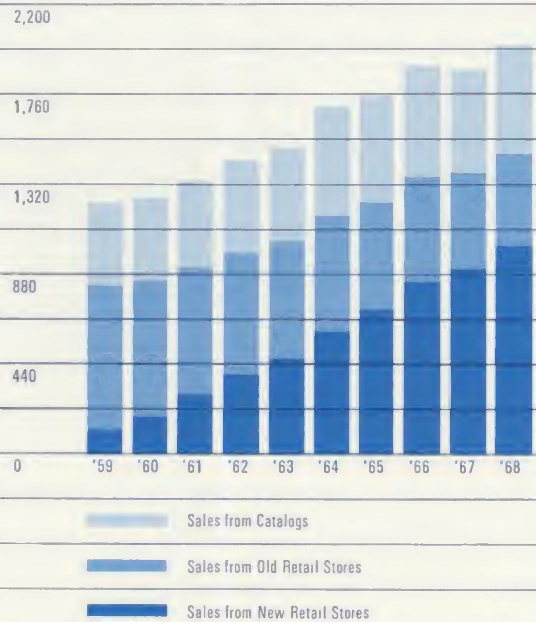
Retail Sales: % By Store Volume Categories

Percent of Retail Sales



Total Sales: Retail Stores—Catalogs

Millions of Dollars



Credit sales last year were $991 million, or 49.9% of total sales. This compares with $891 million, or 47.4% of 1967 sales.

Accounts receivable outstanding at year-end were $988 million, compared with $849 million a year ago. Active credit accounts increased from 4.8 million to 5.1 million, at year-end.

The average credit account balance increased 11% to $193 as compared with an average of $174 in 1967. Cash sales were $995 million, an increase of $7 million from last year's $988 million.

Charg-all sales were 87.4% of total credit sales in 1968, compared with 86.2% in 1967. Time payment sales accounted for the remaining 12.6% of credit sales in 1968, against 13.8% a year earlier.

In 1968, $846 million, or 58% of Ward's retail sales, were produced by 96 large stores (over $5 million in sales). This compares with $767 million, or 56%, for the 89 largest stores in 1967.

Expansion in metropolitan markets is indicated by the growth of large store sales since 1959 when 31 accounted for 32% of total retail sales.

Sales for 217 medium-size stores ($1 to $5 million annually) were $500 million in 1968, compared with $493 million for 226 stores in 1967. This was 35% of total sales in 1968 compared with 36% in 1967.

Sales of $104 million, or 7%, were produced by 155 small stores (less than $1 million) during 1968, compared with $110 million, or 8%, by 160 stores in 1967.

A new retail sales record of $1.45 billion was set in 1968. This compares with $1.37 billion in 1967 and $811 million 10 years ago. Catalog sales increased to $535 million from $509 million in 1967 and $412 million in 1959.

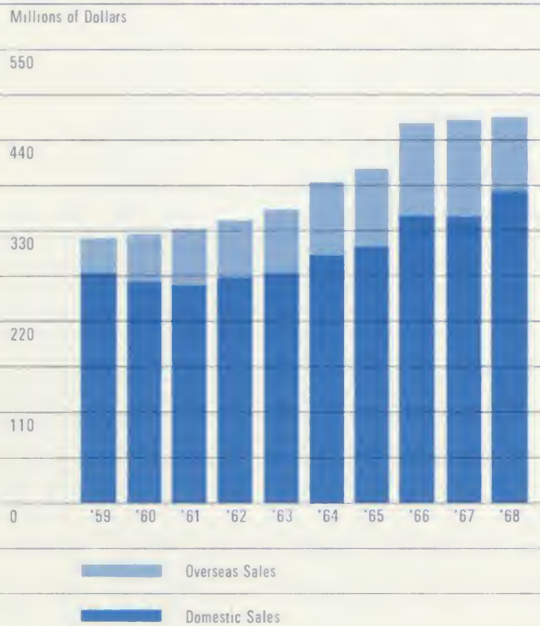
In 1968, 202 modern retail stores opened since 1957 accounted for 69% of total retail sales, compared with 66% for 189 such stores in 1967.

Wards closed 20 retail stores and opened 13 new ones in 1968, reducing the total number of retail stores from 475 to 468.

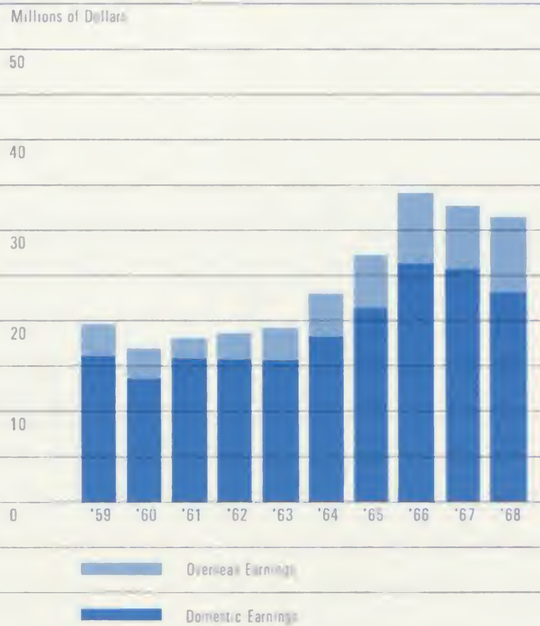
At year-end, there were 695 catalog stores, compared with 719 a year ago. One hundred and seventy-two catalog sales agencies were added, increasing the number from 632 to 804.

CONTAINER CORPORATION FINANCIAL HIGHLIGHTS

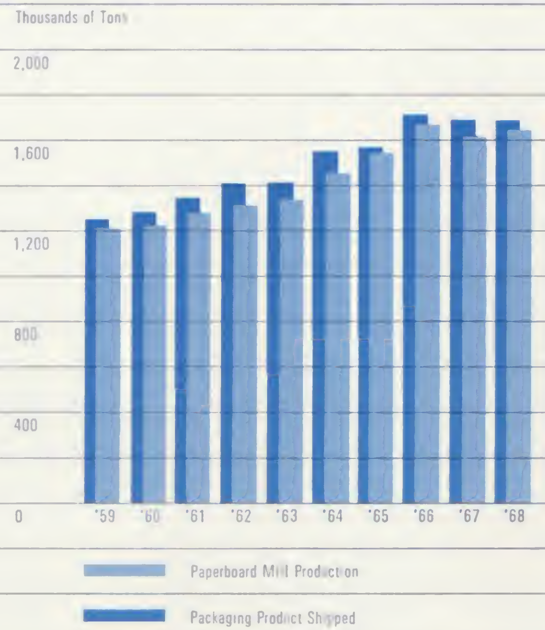
Sales: Domestic and Overseas



Earnings: Domestic and Overseas



Paperboard Production/Packaging Product Shipped



Total sales of Container Corporation increased in 1968 to a record $469 million from $463 million last year. Sales in 1967 included $33 million of sales from German subsidiaries sold at the end of 1967. On a comparable basis, the company's total sales increased 9% in 1968.

Container's domestic sales increased 8.5% to $377 million, and again led the folding carton and shipping container industries.

In Western European and Latin American nations where Container operates subsidiaries, sales were $92 million, a 12.2% rise over 1967 sales by comparable overseas subsidiaries. In 1968, these subsidiaries accounted for 19.7% of sales, compared with 11% in 1958.

In 1968, net earnings of Container Corporation were $31.6 million, a decrease of 3.9% from earnings of $32.9 million a year earlier. Pre-tax operating earnings equalled those of 1967. The decrease in after-tax operating earnings was attributable to surtax charges, start-up costs in two expanded mills and increases in transportation, labor and other costs.

Income from overseas subsidiaries increased from $7.06 million in 1967 to $8.48 million in 1968. This increase was the result of operating efficiencies achieved through recent capital investments. Container's overseas operations accounted for 27% of total earnings last year, compared with 21% in 1967 and 3.8% in 1958.

Container Corporation historically has shipped more tons of finished consumer packaging products than the tons of paperboard it has produced. The company tries to remain in a slight buying position with regard to paperboard, so its mills can operate at a higher rate than the industry average.

Container Corporation's domestic mills operated at 94% of capacity during 1968, producing 1.4 million tons of paperboard. The industry operated at 89% of capacity.

Finished packaging products accounted for 84% of 1968 sales. This included 47% in corrugated solid fibre shipping containers and 37% in consumer packages—folding cartons, fibre cans, plastic and other products.

Corporate Offices

Marcor Inc.
Edgemart Building
4 Denny Road
Wilmington, Delaware 19809
Telephone (302) 762-5256

Marcor Inc.
619 West Chicago Avenue
Chicago, Illinois 60607
Telephone (312) 467-8800

Montgomery Ward & Co., Incorporated
619 West Chicago Avenue
Chicago, Illinois 60607
Telephone (312) 467-2000

Container Corporation of America
38 South Dearborn Street
Chicago, Illinois 60603
Telephone (312) 372-6161

Common Stock

TRANSFER AGENTS

The Northern Trust Company
Chicago, Illinois

Morgan Guaranty Trust Company of New York
New York, New York

REGISTRARS

The First National Bank of Chicago
Chicago, Illinois

Bankers Trust Company
New York, New York

Preferred Stock

TRANSFER AGENTS

Harris Trust & Savings Bank
Chicago, Illinois

First National City Bank
New York, New York

REGISTRARS

Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Illinois

Chemical Bank New York Trust Company
New York, New York

6½% Subordinated Debentures

TRUSTEE

Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Illinois

Marcor Stockholder Meeting

The first annual meeting of Marcor stockholders will be held at 10 a.m. on Tuesday, May 27, 1969 at 619 West Chicago Avenue, Chicago, Illinois. Formal notice of the meeting, a proxy statement and proxy, were mailed to all stockholders of record April 7, 1969, with a copy of the Annual Report.